United Nations DP/2006/37

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
17 July 2006

Original: English

Second regular session 2006
11 to 15 September 2006, New York
Item 2 of the provisional agenda
Financial, budgetary and administrative matters

Annual review of the financial situation, 2005

Report of the Administrator

Summary

UNDP continued to be a multi-funded organization receiving donor and local contributions from Member States. Resources contributions grew consistently over the past five years – $2.6 billion in 2001, $2.9 billion in 2002, $3.2 billion in 2003, $4.0 billion in 2004 and $4.8 billion in 2005. Overall expenditure also increased over the same period – $2.7 billion in 2001, $2.8 billion in 2002, $3.1 billion in 2003, $3.6 billion in 2004 and $4.4 billion in 2005.

In nominal terms, there was an increase of 10 per cent in regular resources income from $833 million in 2004 to $914 million in 2005, which slightly exceeded the 2005 MYFF interim target of $900 million. In real terms, however, when adjusted for the impact of inflation and exchange rate effects, the growth was only 5 per cent, from $859 million in 2004 to $902 million in 2005.

Other resources, comprising contributions received from donor members of the of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), non-bilateral or multilateral sources, and local governments, continued to increase – by 23 per cent, from $3.1 billion in 2004 to $3.8 billion in 2005. Contributions received from bilateral OECD/DAC donors amounted to $1.2 billion (a 31 per cent increase compared to $0.9 billion in 2004). Resources entrusted to UNDP from non-bilateral/ multilateral sources increased to $1.3 billion in 2005 (a 30 percent increase compared to $1 billion in 2004). Local resources provided by programme countries increased by 8 per cent, from $1.2 billion to $1.3 billion.

Other (earmarked) resources represent an important complement to the regular (un-earmarked) resource base of UNDP. At current growth rates, however, the ratio of earmarked to un-earmarked resources appears increasingly imbalanced. To fulfil its mandate and deliver effective capacity-building support for development, UNDP depends critically upon balanced and predictable levels of regular and other resources.

UNDP continues to play a vital role in United Nations reform and support to other United Nations organizations. This is reflected in the total resources that flow through UNDP, recorded in the balance sheet (not recorded as income in the financial statements), for joint programmes, support to the resident coordinator system, and support to other United Nations organizations. The value of fund flows for this purpose totalled $1.1 billion in 2004 and $0.8 billion in 2005.

Elements of a decision

The Executive Board may wish to: (a) take note of documents DP/2006/37 and DP/2006/37/Add.1; (b) reiterate, as stated in its decision 2004/14, the encouragement that all Member States in a position to do so to increase regular resources funding so as to meet the 2007 MYFF target of $1.1 billion in line with the rebuilding of regular resource base of UNDP; and (c) recognize the importance of funding predictability, since the timeliness of contribution payments is essential to avoid liquidity constraints.

06-43434 (E) 080806

Contents

		Paragraphs		*Page*
I.	Introduction	1-2		3
II.	UNDP overall	3-13		3
III.	Regular resources	14-24		8
	A. Income		15	8
	B. Expenditure		16-20	9
	C. Balance of unexpended resources		21-24	10
IV.	Other resources	25-50		11
	A. Bilateral OECD/DAC donors		29	12
	B. Non-bilateral/multilateral sources		30	13
	C. Local resources		31-33	13
	D. Joint programmes and support to other United Nations organizations		34-38	15
	E. United Nations Volunteers		39-43	16
	F. Management services agreements		44	17
	G. The Junior Professional Officer programme		45-47	17
	H. Reserve for field accommodation		48-50	18
V.	Funds administered by UNDP	51-61		18
	A. The United Nations Capital Development Fund		52-56	18
	B. The United Nations Development Fund for Women		57-61	19
Annex 1	UNDP overview			
	Table 12 (a). Statement of income and expenditure for the year ended 31 December 2005, with comparative figures for 2004			21
	Table 12 (b). Assets, liabilities and reserves and fund balances as of 31 December 2005, with comparative figures for 2004			22
Annex 2	Definitions			23

I. Introduction

1. The present report provides an overview of the financial position of UNDP at the end of 2005 and the comparative figures for the year 2004. The report contains analyses of the activities of UNDP at the aggregate level, followed by analyses of the financial situation of regular resources, other resources (broken down by bilateral OECD/DAC donors, non-bilateral/multilateral sources, local resources and others) and the funds established by the General Assembly. An overview of the overall aggregates is shown in the annex to the present document. Tables in the narrative provide summary information of detailed data that can be found in the statistical addendum DP/2006/37/Add.1 to the present document.

2. UNDP prepares its financial statements in accordance with United Nations System Accounting Standards (UNSAS). The Secretary-General has proposed the adoption by the United Nations of an international accounting standard, International Public Sector Accounting Standards (IPSAS), to replace UNSAS. That proposal is part of a United Nations system-wide adoption of IPSAS by 2010. The proposal was submitted to the Advisory Committee on Administrative and Budgetary Questions (ACABQ), and the ACABQ recommended IPSAS adoption. At the time of preparing this document the Fifth Committee had not yet considered IPSAS adoption. Assuming that the 5th Committee supports the Secretary-General's proposal, UNDP, along with its partner agencies UNFPA and UNOPS is tentatively planning to adopt IPSAS by 2008, along with other early adopters within the UN system. For a description of the basic differences between UNSAS and IPSAS, together with a summary of the advantages and disadvantages of the latter see document A/60/870 annex VI.A, which is available at http://documents.un.org/.

II. UNDP overall

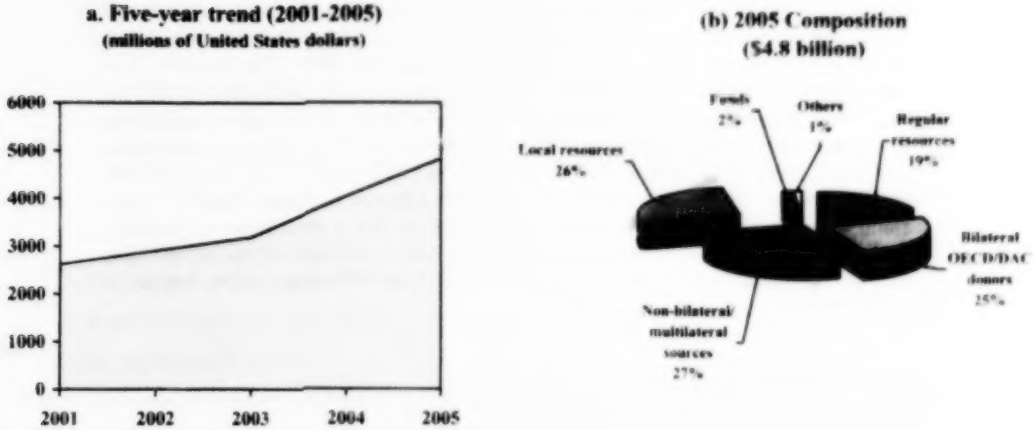
3. The present chapter presents the financial picture of UNDP operational activities at the aggregate level and the resultant unexpended balances. In addition, table 1 of the addendum continues with a summary of all activities undertaken by UNDP.

4. Contributions received from bilateral OECD/DAC donors amounted to $1.2 billion (31 percent increase compared to $0.9 billion in 2004). Resources entrusted to UNDP from non-bilateral/multilateral sources have increased to $1.3 billion in 2005 (30 percent increase compared to $1 billion in 2004). Local resources provided by programme countries increased by 8 per cent, from $1.2 billion to $1.3 billion.

5. UNDP received total contributions, net of interest and other income, of $4.8 billion in 2005 (including regular resources, other resources and funds), the highest level ever, up by 20 per cent from the 2004 level of $4.0 billion. Regular resources income increased by 10 per cent (from $833 million in 2004 to $915 million in 2005), continuing the upward trend that began in 2001 – $652 million in 2001, $663 million in 2002 and $762 million in 2003. When adjusted for inflation and exchange rate effects, regular resources income increased by 5 per cent (from $859 million in 2004 to $902 million in 2005). Five-year growth trend in real terms was $652 million in 2001, $668 million in 2002 (3 per cent), $788 million in 2003 (17 per cent), $859 million in 2004 (9 per cent) and $902 million in 2005 (5 per cent). The five-year trend for regular resources contributions, in nominal and real terms, is shown in figure 3.

6. The thematic trust fund (TTF) instrument, introduced in late 2001, was designed as a flexible, agile co-financing modality to support development work that could not be funded from regular resources or from other multilateral or bilateral sources. Since 2001, the number of donors contributing to the seven thematic trust funds (democratic governance; poverty reduction; information and communication technology; energy for sustainable development and the environment; HIV/AIDS; gender; and crisis prevention and recovery) has increased progressively – eight donors in 2001, 10 donors in 2002, 21 donors in 2003, 33 donors in 2004 and 28 donors in 2005. Overall contributions also increased, by 37 per cent (from $202.1 million in 2004 to $277.5 million in 2005).

Figure 1. Overall contributions (nominal basis) [1]: 5-year trend and 2005 composition



7. The multi-year funding framework (MYFF) has continued to provide the key framework for securing policy coherence in the country-driven demand climate of UNDP support, regardless of funding source. While contributions overall have reached the $4.8 billion mark, other resources contributions, consisting of bilateral OECD/DAC donors ($1.2 billion), non-bilateral/ multilateral sources ($1.3 billion) and local resources ($1.3 billion), have surpassed $3.8 billion, representing 79 per cent of total receipts in 2005.

8. Total contributions to the regular resources received during 2005, before the transfer to the biennial support budget (GLOC), increased by 10 per cent in nominal terms, from $833 million to $915 million, and by 5 per cent in real terms, from $859 million to $902 million. Regular resources are received primarily from OECD/DAC donor members. Regular resources contributions from OECD/DAC countries increased by 10 per cent in nominal terms, from $823 million to $903 million, and by 5 per cent in real terms, from $836 million to $875 million. It is encouraging that 13 members of the OECD/DAC increased their contributions on a nominal basis to regular resources in 2005, many for the fifth consecutive year. Three donors – France, the Netherlands and Spain – increased

[1] Net contributions, after transfer to biennial support budget (GLOC).

by 20 per cent or more. Another four donors – Ireland, Portugal, Sweden and the United Kingdom – increased by between 10 and 20 per cent.

Figure 2. Overall contributions (nominal basis)[1]: five-year trend, 2001-2005

(in millions of dollars)

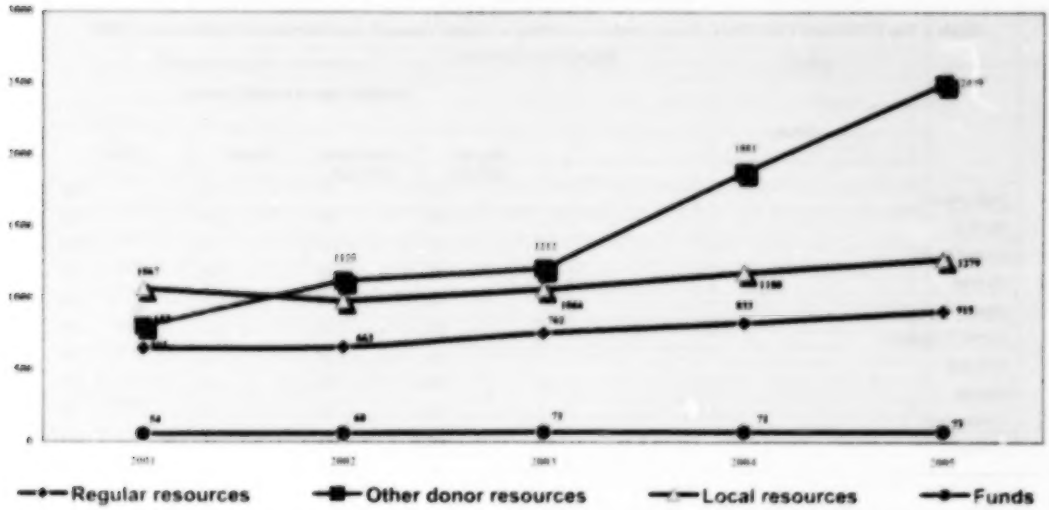
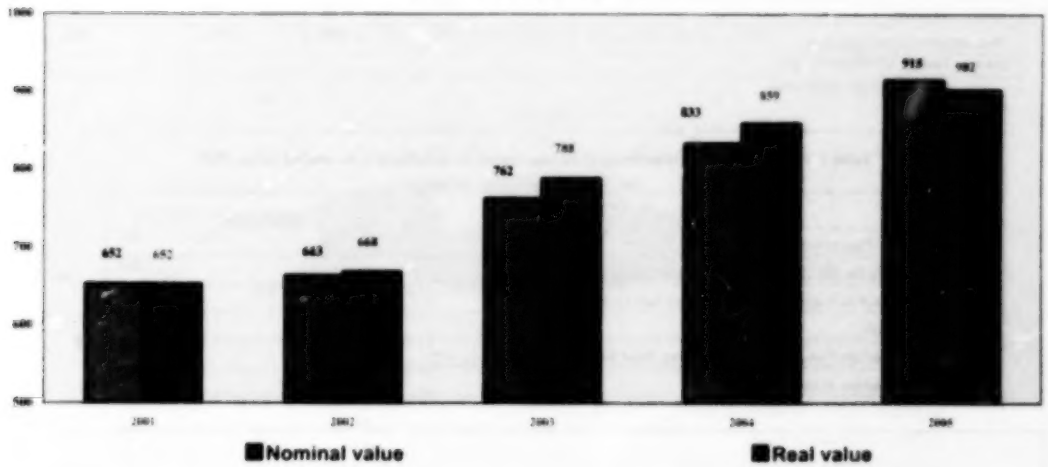


Figure 3. Regular resources contributions[1]: five-year trend, 2001-2005

(in millions of dollars)



9. Exchange rate fluctuations had a positive effect on contributions to UNDP regular resources and accounted for approximately one quarter of the increase in

[1] Net contributions, after transfer to biennial support budget (GLOC)

regular resources in 2005. Estimates suggest that almost all bilateral OECD/DAC donors will either maintain or increase their contributions in 2006. The United Kingdom has committed to increasing its contributions regularly over the period of the MYFF. Contributions from the bilateral OECD/DAC donors and non-bilateral/multilateral sources for selected UNDP activities are shown in tables 1 and 2.

Table 1. Top 15 bilateral OECD/DAC donors, ranked according to regular resources contributions in nominal terms, 2005[1]

(in millions of dollars)

Donor	Nominal value of overall resources			
	Regular resources	Other donor resources	Funds	Total
Netherlands	112	75	2	189
Norway	109	89	10	208
United States [a]	105	147	4	256
Sweden	99	80	14	193
Japan	82	136	2	220
United Kingdom	81	175	11	267
Denmark	62	27	1	90
Canada	47	78	2	127
Switzerland	40	14	2	56
Germany	32	81	2	115
France	28	13	-	41
Italy	19	58	3	80
Finland	19	14	1	34
Belgium	18	23	1	42
Ireland	18	14	1	33
Total of top 15 OECD/DAC donors	**871**	**1 024**	**56**	**1 951**
Total resources	**915**	**2 499**	**73**	**3 487**
Percentage of total resources	**95%**	**41%**	**77%**	**56%**

Source: Table 7, DP/2006/37/Add.1

a. Prior to tax adjustments.

Table 2. Top ten non-bilateral/multilateral sources, ranked by contributions in nominal terms, 2005[1]

(millions of United States dollars)

Partner	Contributions
European Commission	441
Trust Fund for the Global Environmental Facility	300
Global Fund to Fight Aids, Tuberculosis and Malaria	205
World Bank	88
United Nations Development Group Iraq Trust Fund	72
United Nations system	46
Implementation of the Montreal Protocol	44
Regional development banks	25
Private Sector, Foundations and NGOs	23
UNDP Trust Fund for International Partnership	15
Total – Non-bilateral partners	**1 259**
Total other donor resources [1]	**2 499**
Percentage of other donor resources	**50%**

[1] Net contributions, after transfer to biennial support budget (GLOC).

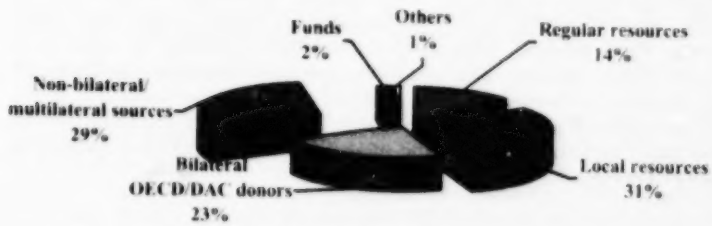
10. Compared to 2004, regular resource contributions from programme countries increased, from $20.0 million to $21.3 million in nominal terms (7 per cent), and to $20.7 million in real terms (4 per cent). Regular resources contributions received from the top 10 programme countries in nominal terms are shown in table 3.

Table 3. Regular resources contributions of top 10 programme countries (in nominal terms), 2004-2005
(in millions of dollars)

Programme country	2005	2004
India	4	5
China	3	3
Cuba	3	1
Saudi Arabia	2	2
Mexico	2	1
Republic of Korea	1	2
Thailand	1	1
Pakistan	1	1
Colombia	1	-
Turkey	1	-
Total	19	16

11. The aggregate programme expenditure (including funds, $67 million) increased to $3.7 billion ($2.3 billion in 2002, $2.6 billion in 2003 and $3.0 billion in 2004), representing a 23 per cent growth. Of the total 2005 expenditure, $3.2 billion (86 per cent) pertained to other resources, including funds, while 16 per cent ($520 million, inclusive of $14 million for support to the resident coordinator system, 5 million for development support services and 11 million for the UNDP economist programme) was financed from regular resources.

Figure 4. Overall programme expenditure, 2005



Total - $3.7 billion

12. 2005 saw a similar distribution pattern in delivery by region (including programme support to the resident coordinator system) to that of 2004, as reflected in table 4 below. In the Africa region, the highest delivery in regular resources, two countries exceeded the $10 million mark in 2005 expenditure – the Democratic Republic of the Congo, at $15 million ($11 million in 2004) and Ethiopia, at $12 million ($11 million in 2004). As shown in table 4, the Africa region saw an increase of over 100 per cent in its other resources programme

expenditure as well, from $214 million in 2004 to $517 million in 2005. The Latin America and the Caribbean region had the highest delivery in other resources, mainly affected by local resources expenditures. Argentina, Brazil and Honduras exceeded the $100 million mark, individually, in 2005 expenditure.

Table 4. Regional distribution of programme expenditure, 2005-2004

(in millions of dollars)

	Regular resources				Other resources			
	2005	%	2004	%	2005	%	2004	%
Africa	205	41%	188	39%	517	16%	214	9%
Asia and the Pacific	149	30%	131	27%	644	20%	558	23%
Europe and the Commonwealth of Independent States	36	7%	43	9%	238	8%	159	6%
Arab States [a]	41	8%	38	8%	273	9%	201	8%
Latin America and the Caribbean	38	7%	27	6%	1 153	36%	1 142	47%
Others [b]	35	7%	56	11%	335	11%	164	7%
Total	504	100%	483	100%	3 160	100%	2 438	100%

[a] Includes PAPP.

[b] Includes global and interregional programme.

13. The balance of regular resources at the end of 2005 was $238 million. This represents 7 per cent of the overall balance of unexpended resources. The balance of other resources, comprised of bilateral OECD/DAC donors and non-bilateral or multilateral sources amounting to $2.2 billion (69 per cent) and local resources amounting to $0.9 billion (31 per cent), increased to $3.1 billion. Its percentage share of the balance of all sources also increased, to 91 per cent (90 per cent in 2004). The balances of unexpended resources for the funds remained at the $83 million mark, representing 2 per cent of the overall balance. These resources are fully programmed and committed for development and management projects. This will result in future years' delivery in appropriate countries and regions.

III. Regular resources

14. The present chapter examines income and expenditure and focuses on the balance of unexpended resources. Compared to 2004, total income in nominal terms, inclusive of interest income and other income, increased by 6 per cent, to $938 million. In real terms, total income rose by only 2 per cent (from $906 million to $924 million). Total 2005 expenditure increased by 2 per cent, from $836 to $849 million. The available resource balance, exclusive of operational reserves, increased to $238 million in 2005 (see table 5). If the reserves for after-service health insurance ($162 million in 2005 and $135 million in 2004) are taken into consideration, the increase in regular resource balance is $94 million (31 per cent).

A. Income

15. Contributions to regular resources received during 2005, before the transfer to the biennial support budget (GLOC), totalled $923 million in nominal terms ($911 million in real terms). Net contributions of $915 million in nominal terms ($902 million in real terms) were mobilized in regular resources (exclusive of interest and other income) in 2005. The growth rate of contributions in nominal terms from the top 15 OECD/DAC donors was 8 per cent, from $804 million in 2004 to $871 million in 2005, while the increase in real terms was 4 per cent, from $831 million to $862 million.

Table 5. Income and expenditure (nominal basis) for the years ended 31 December 2005 and 2004
(in millions of dollars)

	Regular resources		Change between 2005 and 2004 (percentage)
Income	2005	2004	%
Net contributions	914.5	833.4	9.7
Interest and other income	23.0	48.3	(52.4)
Total income	937.5	881.7	6.3
Expenditure			
Programme	490.3	468.9	4.6
Biennial support budget: net	285.8	280.9	1.7
Programme support to resident coordinator	14.2	13.6	4.4
Development support services and UNDP economist programme	15.6	15.4	1.3
Other expenditure	42.8	56.8	(24.6)
Total expenditure	848.7	835.6	1.6
Excess/shortfall of income over total expenditure	88.8	46.1	92.6
Transfer from (to) reserves and refunds to donors	(22.2)	(29.8)	25.5
Savings, refunds and other transfers	-	(0.9)	-
Balance of unexpended resources, 1 January	170.9	153.8	11.2
Balance of unexpended resources, 31 December	237.5	170.9	39.0
Operational reserve	169.0	154.0	9.7
Total months of expenditure *	5.7	4.7	

* This calculation represents the operational reserve plus the balance of unexpended resources as a function of the average monthly expenditures of $71 million in 2005 and $70 million in 2004. The balance of $237.5 million in unexpended resources is equivalent to less than 4 months of expenditure.
Source: DP/2006/37/Add.1, table 1(a)

B. Expenditure

16. Total 2005 expenditure under regular resources increased by 2 per cent to $849 million. The dynamic environment in which UNDP operates resulted in fluctuations within each major expenditure category. Programme expenditure, including programme support to the resident coordinator system, development support services and the UNDP economist programme, had increased by 4 per cent, from $498 million to $520 million (see table 5).

Biennial support budget

17. The net biennial support budget expenditure in 2005 ($286 million) increased by approximately 2 per cent compared to the year 2004 ($281 million). This increase is mainly attributable to the impact of inflation. By appropriation group, 56 per cent of the expenditure in 2005 was spent on programme support activities, 21 per cent on management and administration; and 23 per cent on support to operational activities of the United Nations system. In total, 63 per cent of expenditure relate to country offices, with the remaining 37 per cent attributed to headquarters locations, including the United Nations Volunteers Programme (UNV) and the Inter-Agency Procurement Services Office (IAPSO).

Other expenditure

18. In comparison with 2004, other expenditure decreased by $14 million to $43 million in 2005. The decrease was mainly due to the fact that the amount of adjustments on revaluation of currencies and losses on exchange was $23.2 million in 2004, compared to $4.5 million in 2005.

19. An independent consulting actuary was engaged to carry out a valuation of post-retirement health insurance benefits as of 31 December 2003. On the basis of

that study, the actuary estimated that as of 31 December 2003, the net liability for after-service health insurance benefits for all participants in UNDP was $341 million. That amount represents the present value, which is the discounted value of all benefits less retirement contributions to be paid in the future to all current retirees and active employees expected to retire.

20. UNDP has made an accounting accrual of $27 million for the year ended 31 December 2005. That amount is over and above disbursements by UNDP for after-service health insurance, which are included as part of biennial support budget expenditure. The cumulative amount accrued as of 31 December 2005 is $162 million ($135 million at 31 December 2004). The actuarial valuation of the post-retirement health insurance benefits of UNDP and the United Nations Secretariat is carried out jointly. UNDP will carry out future valuations with the same frequency as the United Nations Secretariat.

C. Balance of unexpended resources

21. The availability of the balance of unexpended resources depends on the degree of liquidity of the net assets held. Cash and investments are the main liquid assets of UNDP. Other assets, net of liabilities, supplement investments to/from the balance of unexpended resources. Other assets include advances to country offices and other United Nations organizations. On the liability side, unliquidated obligations and other payables represent expenditures that have been incurred but not yet disbursed.

22. At the end of 2005, UNDP held investments for regular resources totalling $217 million, excluding the operational reserve. Based on total expenditure of $849 million during the year, the UNDP liquidity position at the end of 2005 represented expenditure for approximately three months of working capital. This represents a slight decrease in liquidity, due primarily to higher cash outflows on deliveries and the increase in the operational reserve level. UNDP did not draw from its operational reserve in 2005. A prudent level of liquidity for UNDP regular resources would be the equivalent of expenditure for three to six months, implying a total liquidity of between $212 million and $424 million at current expenditure levels.

Table 6. Movement of resources, 2005 and 2004

(in millions of dollars)

	2005	2004
Opening balance, 1 January		
Liquid investments	271.8	281.8
Income	937.5	881.7
Expenditure	(848.7)	(835.6)
Savings on obligations from prior biennium	-	0.8
Transfer from/to reserves and other transfers	(22.2)	(29.8)
Subtotal	66.6	17.1
Net change in advances made to Governments, executing agents and expenditures incurred but not yet disbursed	(121.4)	(27.1)
Closing balance, 31 December [a]		
Cash and investments	217.0	271.8

[a] This balance of liquid assets is additional to investments held for the operational reserve ($169 million in 2005, $154 million in 2004).

Source: DP/2006/37/Add.1, table 1(a, b),

23. The balance of unexpended resources of $238 million shown in Table 7 represents the pool of resources available to finance UNDP activities funded by regular resources. At the current level of $238 million, the balance of unexpended resources represents the equivalent of three and a half months' expenditure for the organization.

Table 7. Movement in the balance of unexpended resources, 2005 and 2004
(in millions of dollars)

	2005	2004
Balance as at 1 January	170.9	153.8
Total income	937.5	881.7
Total expenditure (including support costs and other expenditure)	(848.7)	(835.6)
Savings on obligations from prior biennium	-	0.8
Transfer from/to reserves and other transfers	(22.2)	(29.8)
Balance as at 31 December	237.5	170.9

Source: DP/2006/37/Add.1, table 1(a)

24. Based on the actual income and expenditure data for the year 2005, the operational reserve will be adjusted upwards from $169 million in 2006, to a new level of $181 million.

IV. Other resources

25. Components in the other resources category include bilateral OECD/DAC donors, non-bilateral/multilateral sources, local resources received from programme countries, and others. Overall income of other resources increased by $820 million, from $3.3 billion in 2004 to $4.1 billion in 2005. Other resources contributions received in 2005, net of interest and other income, totalled $3.8 billion, of which 32 per cent ($1.2 billion) accounted for bilateral OECD/DAC donors, and non-bilateral/multilateral sources and local resources shared 33 per cent ($1.3 billion) each.

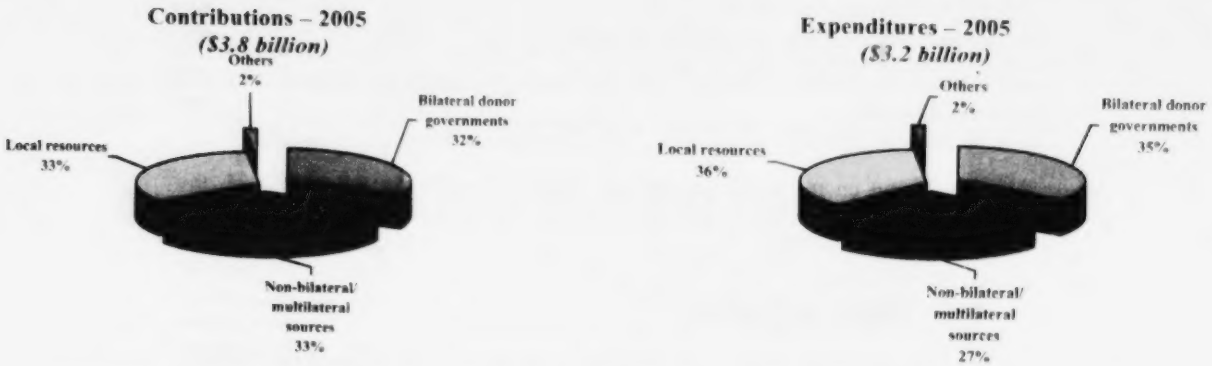
26. Overall expenditure of other resources increased by 29 per cent ($771 million), to $3.4 billion. Other resources programme expenditure also increased by 30 per cent, from $2.4 billion to $3.2 billion. Compositions of 2005 other resources contributions and expenditures by sources are presented in figure 4.

27. In terms of other donor resources related to bilateral and non-bilateral/ multilateral sources, all regions have increased their delivery compared to 2004. The Africa region registered an increase in delivery of over 100 per cent', from $196 million in 2004 to $493 million in 2005. Delivery in Europe and the Commonwealth of Independent States shows a significant growth of 59 per cent, to $172 million (against $108 million in 2004). The Arab States saw an increase of 49 per cent, from $142 million to $212 million. The Asia and the Pacific and Latin America and the Caribbean regions increased by 22 per cent ($519 million to $630 million) and 16 per cent ($146 million to $170 million), respectively.

28. Total programme delivery financed from local resources contributions in 2005 amounted to $1 147 million. Delivery in 2004 was $1 038 million. Countries in the Latin America and the Caribbean region continued to register the major share in the delivery of both local resources and overall programme expenditure. In 2005, the Latin America and the Caribbean region collectively represented over 27 per cent of total programme expenditure (31 per cent in 2004) and 89 per cent of total local resources expenditure (88 per cent in 2004). There was an increase in their regional delivery by 6 per cent, from $958 million in 2004 to $1 016 million in 2005. By country, Chile registered a sharp increase of over

100 per cent (from $17 million in 2004 to $36 million in 2005). Argentina had an increase of 31 per cent from $239 million to $314 million. Honduras and Peru likewise had two-digit increase in their expenditures, while Columbia saw a decrease of 41 per cent (from $142 million in 2004 to $84 million in 2005).

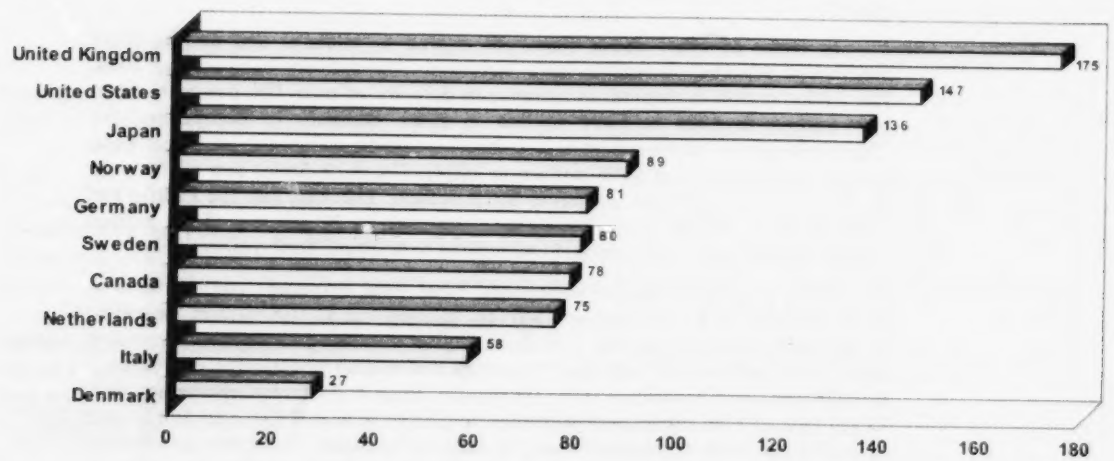
Figure 5. Composition of contributions and expenditures – other resources, 2005
(in millions of dollars)



A. Bilateral OECD/DAC donors

29. Continuing their growth trend, other resources contributions received from bilateral OECD/DAC donors recorded growth of 31 per cent, from $0.9 billion to $1.2 billion in 2005. Figure 5 represents the top 10 bilateral OECD/DAC donors that contributed to other donor resources in 2005.

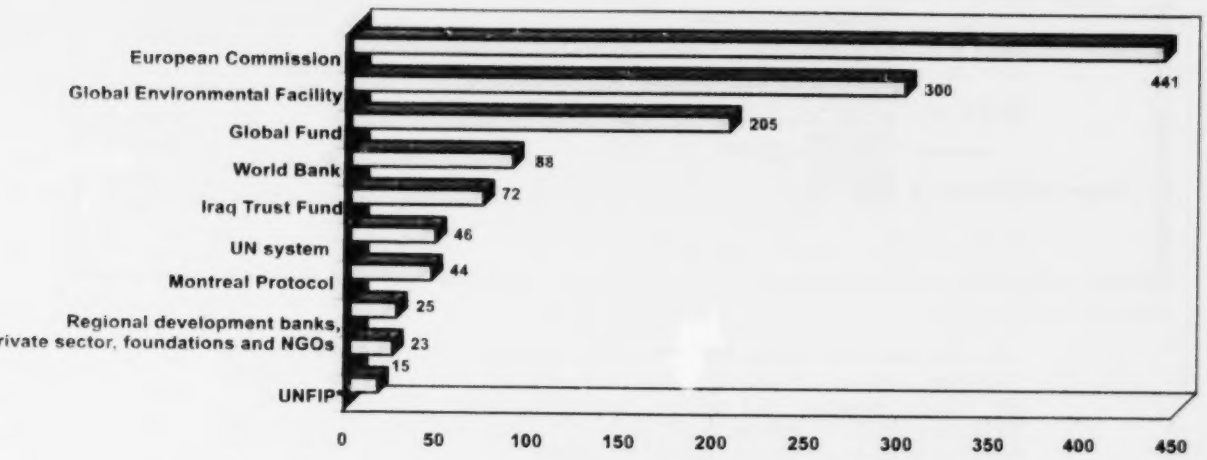
Figure 6. Other resources contributions, top ten bilateral OECD/DAC donors, 2005
(in millions of dollars)



B. Non-bilateral/multilateral sources

30. Other resources entrusted to UNDP from non-bilateral/multilateral sources have increased to $1.3 billion in 2005 (a 30 per cent increase, compared to $1 billion in 2004). Figure 6 represents the top 10 non-bilateral/multilateral sources that contributed to other donor resources in 2005.

Figure 7. Other resources contributions, top ten non-bilateral/multilateral sources, 2005
(in millions of dollars)



*UNFIP = United Nations Fund for International Partnerships

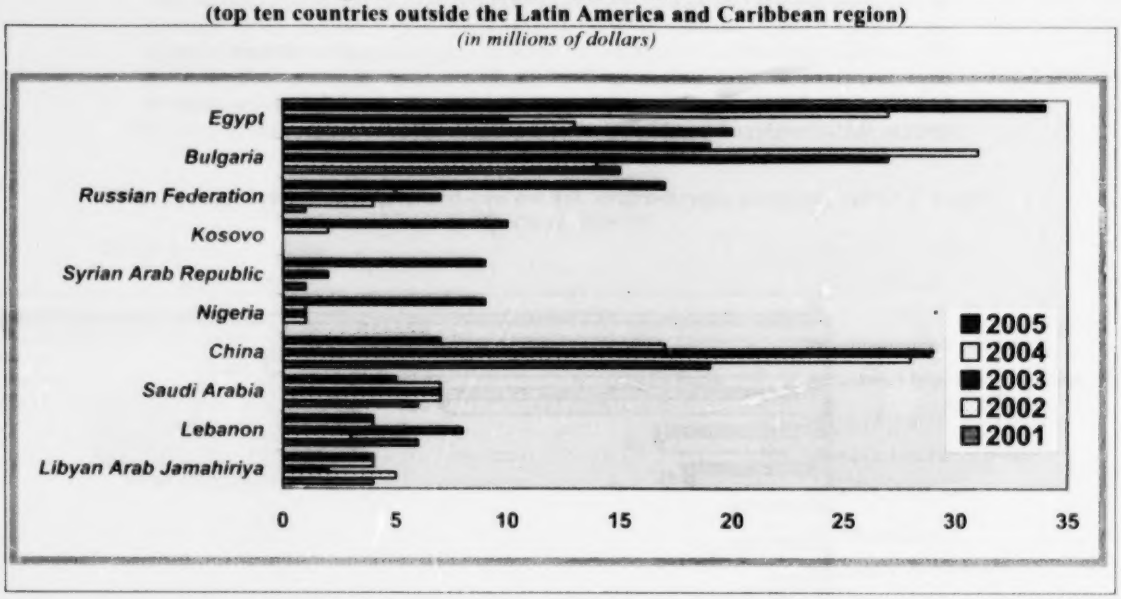
C. Local resources

31. Contributions to local resources represented 26 per cent of total other resources income received in 2005. This pool of resources has increased by 8 per cent, from $1.18 billion in 2004 to $1.279 billion in 2005. In recent years, countries from various regions other than Latin America and the Caribbean increased their participation in local resources. Among other countries, Egypt, Kosovo and the Russian Federation recorded substantial growth in local resources contributions. The contributions of the Russian Federation and Kosovo more than doubled, from $5 million and $2 million, respectively, in 2004 to $17million and $10 million, respectively, in 2005. Egypt had an increase of 26 per cent, from $27 million in 2004 to $34 million in 2005. China and Bulgaria decreased their contributions – China from $17 million to $7 million and Bulgaria from $31 million to $19 million, although their shares of participation remained significant.

32. About 81 per cent of local resources contributions came from the Governments of 10 programme countries (see figure 8). Among the top ten countries, Chile registers the highest increase in local resources of 65 per cent from $23 million to $38 million. Guatemala showed a decline of $23 million, 32 per cent, from $71 million in 2004 to $48 million in 2005.

Figure 8. Local resources contributions 2001-2005
(top ten countries outside the Latin America and Caribbean region)

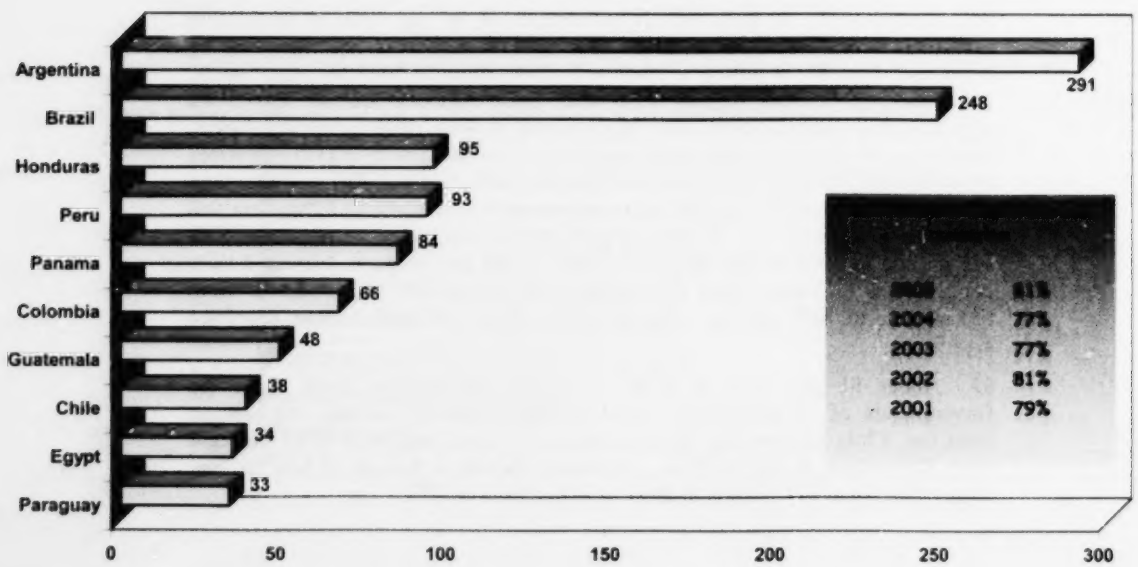
(in millions of dollars)



33. It is also noteworthy that nine countries outside the Latin America and Caribbean region recorded significant deliveries in local resources: Egypt – $35 million; Bulgaria – $22 million; Russian Federation – $16 million; China – $8 million; Chad - $7 million; Azerbaijan - $7 million; Saudi Arabia – $6 million; Nigeria – $5 million; and Uzbekistan – $5 million.

Figure 9. Local resources contributions, 2005
(top ten countries, all regions)

(in millions of dollars)



D. Joint programmes and support to other United Nations organizations

34. UNDP continued to play a vital role in United Nations reform and support to other United Nations organizations mainly comprising joint programmes, service clearing accounts, the United Nations Office of Drug and Crime and IAPSO. This was reflected in the total resources that flow through UNDP, recorded in the balance sheet (not recorded as income in UNDP financial statements), for joint programmes and support to other United Nations organizations

35. In 2005, the total value of joint programmes channelled through UNDP as administrative agent or managing agent, or as a participating organization in a parallel-funded joint programme, was $448 million. $312 million, or 70 per cent of $448 million, related to the joint programmes funded through multi-donor trust funds. Of that $312 million, $275 million is related to the administrative agent role of UNDP on behalf of the United Nations organizations participating in the United Nations Development Group Iraq Trust Fund. Since the establishment of the trust fund in January 2004, UNDP has received a total of $903 million to fund projects and programmes of the United Nations organizations in Iraq. As AA, UNDP is promoting increased transparency and accountability through regular reporting in a dedicated web site of United Nations operations (www.irffi.org), including information on funds received, activities funded, monthly progress reports, public disclosure of current procurement opportunities and details of contract awards under Iraq Trust Fund projects. The two six-monthly consolidated progress reports on the operations of the trust fund during 2005 are also posted on the site.

36. UNDP participation in joint programming and joint programmes continued to increase during the reference period. There was a significant increasing trend in the number of joint programmes in which UNDP participated: from 39 prior to 2004, to 60 in 2004, to 100 in 2005. While parallel fund management is the most commonly used option, the use of other fund management options – pooled, pass-through and their combinations – is increasing noticeably.

37. UNDP country offices provide operational support to other United Nations organizations. The funds for these services are recorded in 'agency services clearing accounts'. In 2005, the value of fund flow towards support to other United Nations organizations, consisting of agency services clearing accounts ($312 million), the United Nations Office of Drug and Crime ($43 million) and IAPSO ($65 million) was $420 million, a 13 per cent increase over 2004 ($370 million).

38. Proper management of the agency service clearing accounts includes working closely with the organizations to ensure that any discrepancies between the records of UNDP and the other organizations are promptly identified and acted on. While significant improvements have been made in this regard, a comprehensive analysis of the balance with the United Nations (which consists of payments made by UNDP on behalf of departments of the United Nations Secretariat) as at 31 December 2003 was completed by the United Nations and UNDP only in March 2006. The scope of the analysis included payments totaling some $26 million that had been made during the period 1993-2003. In many cases supporting documentation could not be located due to the passage of time. Where UNDP was able to locate the supporting documentation, $12.3 million was confirmed as a valid charge to the United Nations, while $4.8 million was determined to have been incorrectly charged to the United Nations. For the remainder, UNDP and the United Nations have each agreed to accept a portion as expenditure.

E. United Nations Volunteers

39. At the June 2006 session of the Executive Board the Administrator will present a report on the performance of UNV programme highlighting the areas of distinctive contribution that UNV makes to United Nations system-wide efforts towards achieving the Millennium Development Goals.

40. The year 2005 marked the ninth successive year of growth of the programme, with some 8,122 volunteers – representing 168 nationalities – carrying out 8,470 assignments in 144 countries. The financial magnitude of all activities amounted to $169.0 million, some 11 per cent of which was covered by contributions made to UNV directly (Special Voluntary Fund, cost-sharing, trust funds and full funding arrangements). The remaining 89 per cent was covered by direct charges to programmes of the United Nations and its agencies, funds and programmes, including UNDP.

41. Table 8 provides an overview of income relating to the Special Voluntary Fund, cost-sharing, trust funds and full funding. The table shows an overall increase of $3.5 million in 2005 compared to 2004. However, part of the income for full funding recorded in 2004 ($3.0 million) relates to 2003 contributions. Taking this into account, the actual increase in total net income was $6.5 million, representing a 33 per cent increase compared to 2004. This was due mainly to a substantial increase in new trust funds, mainly for Tsunami recovery programmes.

Table 8. Contributions – 2005 and 2004[1]

(in millions of dollars)

Source of funds	2005[2]	2004
Special Voluntary Fund	4.8	5.6
Cost-sharing	2.2	1.3
Trust funds	11.9	5.0
Fully funded arrangements	7.3	10.8
Total	26.2	22.7

[1] *Figures include adjustments and out-of-book entries not included in the financial statements.*
[2] *Excludes resources relating to activities financed directly by the United Nations or its agencies, funds and programmes, including UNDP ($146.0 million).*

42. Total programme expenditures in 2005 covered by the contribution sources, shown in table 9, amounted to $18.4 million. The overall increase of $0.7 million compared to 2004 is attributable mainly to an increase in trust fund activities related to Tsunami recovery programmes.

Table 9. Programme expenditure – 2005 and 2004[3]

(in millions of dollars)

Source of fund	2005	2004
Special Voluntary Fund	5.0	6.2
Cost-sharing	1.3	1.8
Trust funds	6.4	4.3
Fully funded arrangements	5.7	5.4
Total	18.4	17.7

[3] *Excludes financial equivalent of UNV activities financed directly by the United Nations or its agencies, funds and programmes, including UNDP ($150.6 million).*

43. The Executive Board approved, in its decision 98/13, the creation of a reserve with initial funding of $0.9 million to cover medical evacuation and security-related

costs. The opening balance of the reserve as at 1 January 2005 was $1.0 million. In 2005, the reserve was replenished with $0.3 million from provisions made in the proforma cost of volunteers. Disbursements from the reserve in 2005 were $0.3 million for medical evacuation purposes and $0.1 million for security evacuation purposes. The balance at 31 December 2005 was therefore $0.9 million. The Administrator believes that maintaining the current balance is justified in view of the fact that costs in respect of field and inter-agency security measures are projected to increase.

F. Management services agreements

44. In 2005, donors contributed $142 million towards management services agreement (MSA) activities, up by $51 million from $91 million in 2004. Total income available for programme activity under MSAs in 2005, including interest income, amounted to $143 million, up by 55 per cent compared to $92 million in 2004. Table 10 shows the distribution by region of MSA expenditures for 2005 and 2004.

Table 10. MSA expenditure by region, 2005-2004
(in millions of dollars)

Region	2005	2004
Latin America and the Caribbean	60.8	74.9
Africa	17.2	6.7
Europe and the Commonwealth of Independent States	0.1	5.0
Arab States	0.7	0.8
Asia and the Pacific	0.5	3.1
Global and interregional	4.7	5.0
Total	84.0	95.5

Source: UNOPS

G. The Junior Professional Officer programme

45. A total of 23 governments and one inter-governmental organization had valid agreements with UNDP for the provision of junior professional officers (JPOs). All member states actively sponsored JPOs during 2005, with the exception of Australia and the United Kingdom. As of 31 December 2005, UNDP administered 261 JPOs and five special assistants to the Resident Coordinator (SARCs) compared to 259 JPOS and five SARCs as of 31 December 2004. The combined number of JPOs and SARCs working with UNDP and affiliated agencies as of 31 December 2005 was 201, compared to 207 on 31 December 2004. Thirty-two of the JPOs or SARCs served in New York and other headquarters locations (16 per cent compared to 13.5 per cent in 2004). The numbers of JPOs administered on behalf of UNFPA and UNOPS were 48 and five, respectively.

46. UNDP received a total of $30.0 million in contributions to the JPO programme in 2005, a decrease from the amount received in 2004 ($32.9 million).

47. The total expenditure, including support cost, incurred during 2005 was $28.0 million. Total support cost of $3.0 million was generated in 2005, a slight decrease compared to $3.2 million in 2004. The resource balance available at the end of 2005 was $14.7 million, up from $12.7 million in 2004 and $9.6 million in 2003.

H. Reserve for field accommodation

48. In line with Executive Board decision 96/40, which called upon UNDP to dispose of housing properties whenever conditions warranted, UNDP continues efforts to identify such assets for disposal. In this regard, in 2005 a house in Namibia was disposed of through sale. To overcome the difficulty of selling housing properties located on land that UNDP does not own, UNDP continues to explore ways to resolve this issue in consultation with governments.

Table 11. Income and expenditure, 2005-2004

(in millions of dollars)

	2005	2004	Percentage changes
Income			
Rental income	1.2	0.8	50.0
Other income-net	0.2	0.1	100.0
Total income	1.4	0.9	56.0
Expenditure			
Repairs and maintenance	0.4	0.4	-
Total expenditure	0.4	0.4	-
Operating surplus	1.0	0.5	100.0
Cumulative surplus (deficit), 1 January	(2.5)	(3.0)	17.0
Cumulative deficit, 31 December	(1.5)	(2.5)	60.0

Source: DP/2006/37/Add.1, table 12

49. The aggregate summary of reserve for field accommodation (RFA) accounts is shown in table 11. Table 12 of the addendum (DP/2006/37/Add.1) provides separate statements of income and expenditure and assets and liabilities for the RFA. Total housing assets as at 31 December 2005 were $16.3 million, after sale of the house in Namibia. The figure for office premises as at 31 December 2005 was $26.6 million, and no disposal was undertaken in this category. The net amount due to UNDP regular resources decreased from $7.4 million at 31 December 2004 to $5.6 million at 31 December 2005. This was because the cumulative deficit in the reserve decreased from $3.8 million in 2004 to $2.9 million in 2005. Many factors contributed to that development, including a reimbursement by the World Food Programme for construction costs in Africa.

50. The initial provision of $14.1 million for asset write-down was set up in 1996-1997 on the basis of management's best estimate of RFA assets impairment as at 31 December 1997. With the disposal through sale of some of the properties over the years, and consequent charges to the provision and adjustments, the current balance as of 31 December 2005 is $9.6 million.

V. Funds administered by UNDP

51. Table 5(a) in the addendum to the present report (DP/2006/37/Add.1) provides detailed data for the two funds administered by UNDP. The results of activities undertaken in 2005 are outlined in this section.

A. The United Nations Capital Development Fund

52. Total contributions for UNCDF regular resources declined from $17.2 million in 2004 to $9.5 million in 2005, a decline of 45 per cent. Several donors chose not to continue their funding to UNCDF due to changes in their official development assistance priorities and issues related to United Nations

reform, system-wide coherence and simplification. Contributions to other resources increased from $6.2 million in 2004 to $10.3 million in 2005.

53. In 2005, overall expenditure decreased by $3.0 million, from $30.3 million in 2004 to $27.3 million in 2005. Expenditure against regular resources decreased to $18.4 million in 2005, from $20.2 million in 2004. Other resources expenditures decreased by $1.2 million, from $10.1 million in 2004 to $8.9 million in 2005.

54. Unexpended resources at the end of 2005 totalled $60.1million, including an operational reserve of $22.6 million, compared to $63.1 million at the end of 2004.

55. 2005 was a challenging, transitional year for UNCDF. Beginning in January, the Fund developed a new business plan, which was adopted by the Executive Board in June. In addition, UNCDF undertook a significant organizational restructuring of the organization. Moreover, the new Executive Secretary did not join UNCDF until August. Even under those difficult circumstances, UNCDF was able to perform relatively well as it continued its work in 26 least developed countries, 13 of which were post-conflict countries.

56. For 2006, total UNCDF investment requirements to implement the business plan approved by the Executive Board are approximately $36 million in 2006. These investment amounts do not include any of the $5 million per year in UNCDF administrative costs that UNDP mainstreamed in its 2006-2007 biennium budget. UNCDF is seeking to fund its investment requirements by mobilizing both regular and other resources.

B. The United Nations Development Fund for Women

57. In its decision DP/2004/10, the Executive Board approved the multi-year funding framework (MYFF) of the United Nations Development Fund for Women (UNIFEM) for the period 2004-2007. The MYFF highlights key results to be achieved to enhance development effectiveness, organizational effectiveness, and the resource base required for implementation.

58. Total contributions to UNIFEM increased by $4.4 million, or 9 per cent, growing from $49.2 million in 2004 to $53.6 million in 2005. While overall regular resources contributions decreased from $23.2 million to $22.0 million, a number of key donors increased their core support in their local currency. Cost-sharing and trust funds contributions increased significantly, from $25.9 million in 2004 to $31.6 million in 2005.

59. Overall programme expenditure, including support costs paid to implementing agents, increased significantly, rising by $21.8 million, or 85 per cent, from $25.6 million in 2004 to $47.4 million in 2005. Regular resources programme expenditure increased by $5.5 million, or 47 per cent, growing from $11.7 million in 2004, to $17.2 million in 2005. The delivery of cost sharing and sub-trust funds registered a tremendous increase of $16.4 million, or 118 per cent, climbing from $13.9 million in 2004 to $30.3 million in 2005.

60. Unexpended resources at 31 December 2005 totalled $46 million, an increase of $3 million over the $43 million total at 31 December 2004. These resources cover the unspent project budgets for 2006 and future years of $42.3 million. The level of the operational reserve was reviewed in accordance with Executive Board decision 97/4 and was decreased by $1.2 million, producing a balance of $7.7 million at the end of 2005.

61. UNIFEM continued to align its programming, structure and business processes to enhance its effectiveness, capacity and efficiency. The UNIFEM Consultative Committee, at its 46th session, encouraged current and future donors to devote a greater share of their contributions to UNIFEM regular resources and to make commitments to multi-year funding so as to enable UNIFEM to realize the projected results described in its MYFF.

Annex 1
UNDP overview

Table 12a. Statement of income and expenditure for the year ended 31 December 2005, with comparative figures for 2004
(in thousands of dollars)

	Regular resources			Other resources			Funds			Total		
	2005	2004	+/-	2005	2004	+/-	2005	2004	+/-	2005	2004	+/-
Income												
Contributions	923 418	842 148	10%	3 844 169	3 135 237	23%	73 394	72 569	1%	4 840 981	4 049 954	20%
Transfer to biennial support budget	(8 918)	(8 751)	(2%)	-	-	-	-	-	-	(8 918)	(8 751)	(2%)
Net contributions	914 500	833 397	10%	3 844 169	3 135 237	23%	73 394	72 569	1%	4 832 063	4 041 203	20%
Interest income	10 800	16 402	(34%)	80 914	34 896	-	2 935	1 516	94%	94 649	52 814	79%
Other income: net	12 208	31 884	(62%)	174 759	109 860	59%	5 733	5 147	11%	192 700	146 891	31%
Total income	937 508	881 683	6%	4 099 842	3 279 993	25%	82 062	79 232	4%	5 119 412	4 240 908	21%
Expenditure												
Programme	490 287	468 952	5%	3 138 747	2 427 610	29%	66 693	49 008	36%	3 695 727	2 945 570	25%
Programmes support – implementing agents	-	-	-	11 028	4 190	-	-	-	-	11 028	4 190	-
Programmes support to resident coordinator	14 242	13 599	5%	10 326	6 889	50%	-	-	-	24 568	20 488	20%
Development support services	4 837	4 574	6%	5 379	2 184	-	-	-	-	10 216	6 758	51%
UNDP economist programme	10 735	10 802	(1%)	-	-	-	-	-	-	10 735	10 802	(1%)
Biennial support budget: net[a]	285 824	280 920	2%	274 359	227 941	20%	16 316	13 570	20%	576 499	522 431	10%
Other expenditure	42 759	56 793	(25%)	194	(236)	-	15	157	(90%)	42 968	56 714	(24%)
Total expenditure	848 684	835 640	2%	3 440 033	2 668 578	29%	83 024	62 735	32%	4 371 741	3 566 953	23%
Excess (shortfall) of income over expenditure	88 824	46 043	93%	659 809	611 415	8%	(962)	16 497	-	747 671	673 955	11%
Savings on obligations of prior biennium	-	821	-	636	1 254	(49%)	-	-	-	636	2 075	(69%)
Transfers from (to) reserves	(15 000)	(12 000)	(25%)	(5 000)	(4 000)	(25%)	1 200	(800)	-	(18 800)	(16 800)	(12%)
Refunds to donors and transfers from (to) from other funds	(7 175)	(17 815)	60%	(16 126)	(26 083)	38%	(552)	(42)	-	(23 853)	(43 940)	46%
Balance of unexpended resources, 1 January	170 861	153 812	11%	2 475 026	1 892 440	31%	83 849	68 195	23%	2 729 736	2 114 447	29%
Balance of unexpended resources, 31 December	**237 510**	**170 861**	**39%**	**3 114 345**	**2 475 026**	**26%**	**83 535**	**83 849**	-	**3 435 390**	**2 729 736**	**26%**

Source: Table 1(a), DP/2006/37/Add.1

[a] Includes country office administrative charge

Table 12b. Assets, liabilities and reserves and fund balances as of 31 December 2005, with comparative figures for 2004

(thousands of United States dollars)

	Regular resources			Other resources			Funds			Total		
	2005	2004	+/-	2005	2004	+/-	2005	2004	+/-	2005	2004	+/-
Assets												
Cash	111 077	1 138	-	21 617	37 887	(43%)	880	(2 683)	-	133 574	36 342	-
Government letters of credit	-	-	-	248 244	160 551	55%	-	-	-	248 244	160 551	55%
Investments held for												
Operational reserve	169 000	130 000	30%	-	-	-	-	-	-	169 000	130 000	30%
Regular resources	217 023	271 754	(20%)	392 635	226 541	73%	118 997	95 781	24%	728 655	594 076	23%
Other	2 854 493	2 272 192	26%	-	-	-	-	-	-	2 854 493	2 272 192	26%
Subtotal investments	3 240 516	2 673 946	21%	392 635	226 541	73%	118 997	95 781	24%	3 752 148	2 996 268	25%
Total cash, letters of credit and investments	3 351 593	2 675 084	25%	662 496	424 979	56%	119 877	93 098	29%	4 133 966	3 193 161	29%
Advances from governments and executing agencies	44 440	60 547	(27%)	132 116	182 805	(28%)	436	396	10%	176 992	243 748	(27%)
Accounts receivable and deferred charges	159 022	128 404	21%	2 820 920	2 206 305	28%	11 875	29 748	(60%)	2 991 817	2 364 457	26%
Accrued interest	23 955	12 202	96%	25 485	11 383	-	1 347	664	-	50 787	24 249	-
Long-term accounts receivable	-	-	-	436	437	-	-	-	-	436	437	-
Special capitalized assets	1 570	1 570		34 267	34 254	-	-	-	-	35 837	35 824	-
Loans to governments	-	-	-	806	806	-	-	-	-	806	806	-
Total assets	3 580 580	2 877 807	24%	3 676 526	2 860 969	29%	133 535	123 906	8%	7 3 90 641	5 862 682	26%
Liabilities												
Advances to governments and executing agencies	5 230	5 580	(6%)	30 529	58 882	(48%)	1 669	1 724	(3%)	37 428	66 186	(43%)
Unliquidated obligations	41 248	50 982	(19%)	203 641	102 216	99%	3 769	933	-	248 658	154 131	61%
Accounts payable	178 997	134 138	30%	118 436	50 462	-	14 262	5 899	-	300 390	190 499	58%
Due to other resources	2 754 608	2 176 690	27%	86 874	60 811	43%	-	-	-	2 841 482	2 237 501	27%
Other liabilities	192 417	183 986	5%	17 701	13 572	30%	-	-	-	210 118	197 558	6%
Total liabilities	3 172 500	2 551 376	24%	457 181	285 943	60%	19 700	8 556	-	3 649 381	2 845 875	28%
Reserves and fund balances												
Operational reserve	169 000	154 000	10%	77 000	72 000	7%	30 300	31 500	(4%)	276 300	257 500	7%
Endowment fund	-	-	-	3 000	3 000	-	-	-	-	3 000	3 000	-
RFA authorized level	-	-	-	25 000	25 000	-	-	-	-	25 000	25 000	-
Special capital resources	1 570	1 570	-	-	-	-	-	-	-	1 570	1 570	-
Balance of unexpended resources	237 510	170 861	39%	3 114 345	2 475 026	26%	83 535	83 850	-	3 435 390	2 729 737	26%
Balance of unexpended resources and special capital resources	239 080	172 431	39%	3 114 345	2 475 026	26%	83 535	83 850	-	3 436 960	2 731 307	26%
Total reserves and balance of unexpended resources	408 080	326 431	25%	3 219 345	2 575 026	25%	113 835	115 350	(1%)	3 741 260	3 016 807	24%

Annex 2

Definitions

Regular resources: the resources of UNDP that are commingled and untied. These include pledges of voluntary contributions, contributions from governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous income.

Other resources: the resources of UNDP, other than regular resources, that are received for a specific programme purpose, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties. Under this category fall cost sharing and trust funds established by the Administrator. For presentation purposes, bilateral OECD/DAC donors, non-bilateral/multilateral sources, local resources, joint programmes and support to other United Nations organizations, UNV, MSAs, the JPO programme and the RFA are included in this category.

Biennial support budget: the budget of an organization covering programme support and management and administration of the organization.

Funds administered by UNDP: funds established by the General Assembly and administered by UNDP.

Programme support: expenditure incurred by organizational units (country offices and headquarters) whose primary functions are the development, formulation, delivery and evaluation of the programmes of the organization.

Bilateral OECD/DAC resources: other resources received from 22 members of the Development Assistance Committee of the Organization for Economic Cooperation for Development.

Non-bilateral/multilateral sources: other resources received from all multilateral organizations, such as regional development banks, international financial institutions, United Nations organizations and the private sector.

Local resources: other resources received from programme countries.

Member states: development partners, including donors and programme countries that participate in the UNDP programme.

Government contributions to local office cost (GLOC): contributions in the form of cash, or by provision in kind of specific goods, services and facilities that the host Government makes towards the expenses of maintaining the UNDP country office.

Joint programming: the collective effort through which United Nations organizations and national partners work together to prepare, implement, monitor and evaluate the activities aimed at effectively and efficiently achieving the Millennium Development Goals and other international commitments arising from United Nations conferences, summits, conventions and human rights instruments. Through joint programming, common results and the modalities for supporting programme implementation are identified.